



HNX 30 INDEX GROUND RULES

(Issued in accompany with Decision No. 234-QĐ/SGDHN dated 05/07/2012)

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I. Introduction

1. HNX 30 Index is a price index based on free float adjusted market capitalization weighted methodology of 30 constituent stocks, which are selected from all the Hanoi Stock Exchange (HNX) listed stocks according to the Criteria for selection of constituents. A copy of the Ground Rules of HNX 30 Index is available on the website www.hnx.vn
2. HNX 30 Index is calculated in Vietnamese Dong in real time and publicly disseminated by HNX on HNX Website, HNX Online trading board, Infoshow and directly distributed to data vendors and to HNX trading members... Based on the demand of each member, HNX 30 Index information can be subject to different delays. The delay of HNX 30 information on HNX Website, Online trading board of HNX and Infoshow is by default 15 minutes.
3. The Base date of HNX 30 Index is January 3rd, 2012 with base Index value of 100.
4. Unless specifically detailed in this document, the methodology for the maintenance of the HNX 30 Index is similar to the methodology for the maintenance of all other HNX Indices.
5. The Hanoi Stock Exchange owns the copyrights for HNX 30 Index including its name, constituents and index calculation methodology. Any copies or reprints of this document or any part of this document, for commercial purposes or any other purposes without the prior approval of the HNX are considered copyright violations and are prohibited.
6. The official opening and closing hours of HNX 30 Index are established to be same as the opening and closing hours of HNX stock market.
7. Contact information

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II. Management responsibilities

1. Index Committee and Hanoi Stock Exchange

- a) The Index Committee is responsible for approving the HNX 30 Index Ground Rules and the amendment, addition or cancelation of the whole or a part of clauses. The Index Committee operates under the Rules of organization and operation of the Index Committee of the HNX. The Index Committee is responsible for the periodic or extraordinary reviews of the constituents of all HNX indexes in accordance with the approved Ground Rules.
- b) HNX is responsible for the operation and calculation of HNX 30 Index. HNX will maintain records of the market capitalization of all HNX constituents and will make changes to the constituents or their weighting in the HNX 30 Index in accordance with the Ground Rules. HNX will perform periodic and extraordinary reviews and will make changes to the constituents of the HNX 30 Index basket.
- c) HNX is responsible for publishing and keeping records of all the changes related to the index constituents and their weightings. The weightings of the constituents used in the calculation of the index in real time index shall also be used in the calculation of the index value at the market close.
- d) HNX will be responsible for the development and issuance of products, based on the HNX 30 Index information.

2. Re-calculation

The HNX 30 is recalculated whenever errors or distortions occur that are deemed to be significant. Users of the HNX 30 are notified through the appropriate media. The errors, which do not severely affect the accuracy of the indices, will be corrected without notification.

3. Status of Ground Rules

- a) The Ground Rules constitute a guide about the policies and procedures, which will apply during the publication, operation and maintenance of the HNX 30 Index. However, these policies and procedures and their precise application are subject to variations and periodic reviews. Adjustments to the policies in relation to the HNX 30 Index will be disclosed at least 30 days before the effective date of the adjustments.
- b) The Ground Rules are the only basis for the calculation and publication of decisions related to HNX 30 Index.
- c) In light of the intended purpose of this guide and the likely variations and the periodic reviews of the policies and procedures in relation to the HNX 30 Index, HNX (or any persons involved in the preparation or publication of this guide) will not accept any

liability for any losses, damages, claims and expenses whether as a result of negligence or otherwise, suffered by any person as a result of:

- i. Any reliance on this guide and/or;
- ii. Any errors or inaccuracies in this guide and/or;
- iii. Any non-application or misapplication of the policies or the procedures described in this guide and/or;
- iv. Any errors or inaccuracies in the compilation or any data regarding the constituents of the indexes.

III. Calculation Method

1. Index Calculation

- Formula:

$$\text{Index} = \frac{\text{MV}}{\text{Divisor}} \times \text{Base Point}$$

In which:

$$MV = \sum_{i=1}^n P_i * Q_i$$

MV: current Market Value

n: Number of stock constituents in the Index basket

P_i: Last trading price of the constituent stock i

Q_i: The number of outstanding shares of the constituent stock i used to calculate index

Divisor: on the Base date, Divisor is the market capitalization of the stock constituents as at the Base date

Base point: Base value of the index.

2. Outstanding shares

Outstanding shares are the quantity of shares held by investors, including non free float shares and free float shares. The treasury shares repurchased by companies are not considered as outstanding shares.

3. Free float factor (f)

a) Definition

Free float factor is the ratio of outstanding shares, which are determined to be available for trading in the market.

Formula of Free float factor (f):

$$f = \frac{\text{Outstanding shares} - \text{Non free float shares}}{\text{Outstanding shares}}$$

Non Free float shares include:

- Shares that are subject to transfer restrictions as per the laws: shares held by founders of the company during the transfer restriction period, shares subject to commitments of no transfers at the time of listing of the stock, and other legal restrictions;
- Shares issued with insiders of the company and their related persons;
- Shares subject to voluntary restriction commitments: strategic shareholders with commitments of no transfers and other voluntary commitments;
- Holdings by Government entities as a principal shareholder;
- Shares subject to holding restrictions at the time of their issue. For example: shares issued under ESOP programs, shares issued under private placements for periods under 01 year...;
- Shareholding related to registered trade marks ...;
- Other restricted stocks according to the statistics of the Vietnam Securities Depository (“VSD”);

b) Free float factor Bands

Free float bands are applied to all HNX stocks in order to provide accurate free float representations. The free float ratio is rounded up to the next multiple of 5% when the stock index is calculated. Free float bands are displayed below:

Precise Free float	≤5%	≤10%	≤15%	≤20%	≤25%	≤30%	≤35%	≤40%	≤45%	≤50%
Free float bands	Ineligible for HNX indices	10%	15%	20%	25%	30%	35%	40%	45%	50%

Precise Free float	≤55%	≤60%	≤65%	≤70%	≤75%	≤80%	≤85%	≤90%	≤95%	≤100%
Free float bands	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%

c) Adjustments of Free float factor

Free float factor is adjusted every quarter or in special situations (see section V)

4. Capitalization limit

a) Definition and Meaning

Capitalization limit: 15%

Capitalization limit is set to exclude excessive influence of a specific constituent in a stock index.

b) Determination principles

The total weight of all the weights of the index constituent stocks is always 100%. If any constituent weight exceeds a threshold (the Capitalization Limit), it is capped at the rate of 15% and the excess weight is reallocated proportionally to the remaining constituents in the index. The capitalization limit is applied as follows:

If any constituent weight is greater than 15%, it is capped at 15%. The weights of remaining constituents will be proportionally increased. If the weight of the next constituent exceeds 15%, it is re-capped at 15%. This procedure is repeated until no constituents have a weight that exceeds 15%.

c) Review of Capitalization Limit

The Capitalization Limit is reviewed every quarter or in special situations (see section V)

IV. Criteria and methodology for selection of the constituents of the HNX 30

Index Universe

All the HNX listed stocks are eligible for inclusion in the HNX 30 Index, excluding those stocks, which are among the following:

- Stocks, which have been listed on HNX for less than 6 months (except in special situations, as approved by the HNX Index Committee);
- Stocks, which have been under Compliance inspections or have been suspended from trading within last 3 months.

Selection of constituent stocks in HNX 30 Index:

Step 1: Select all eligible stocks in the Index Universe that have not been under Compliance inspections. Stocks meeting above criteria are firstly selected by ranking in terms of average daily trading value for last 12 months; among those the 100 highest average daily trading value stocks will be selected (Top100);

Step 2: The Top100 stocks shall be re-ranked in terms of average daily Free Float-adjusted market capitalization (FFMC) over last 12 months; among those the 70 biggest stocks will be selected (Top70);

Step 3: The Top70 selected stocks will be checked for liquidity standards:

+ Calculate the median trading volume of the last 12 months, by ranking the total daily trading volume during last 12 months and taking the median trading volume;

+ Calculate the ratio of every month's median trading volume over the total outstanding shares s at the last trading day of the same month (r);

+ Remove all the stocks having 6 out of 12 months with $r < 0.02\%$;

Step 4: Among the remaining stocks, review and remove stocks under special situations, as determined by the Index Committee (if any).

Step 5: Select 30 stocks with the largest FFMC and ensuring that the number of stocks in each industry¹ does not exceed 20% number of stocks in HNX 30. The remaining stocks will remain in a list of provisional stocks.

¹ Based on Hanoi Standard Industry Classification (HaSIC).

V. Regular Re-balancing

1. Regular review

a. Review dates

The stocks in the index are reviewed every 6 months:

	Data Date	Review date	Announcement date	Effective date
October – March	Last trading day of March	In the second week of April	At least 7 business days before the effective date	Last trading day of April
April– September	Last trading day of September	In the second week of October	At least 7 business days before the effective date	Last trading day of October

b. Review of stock constituents

Regular review of stock constituents is conducted based on the following procedure:

Step 1: Stocks in the Index Universe that have not been under Compliance inspection (sign of “C”) are first selected by ranking in terms of average daily trading value during last 12 months to arrive at 100 highest ranking stocks (Top100)

Step 2: Within the Top100, select 70 stocks with biggest average daily Free Float adjusted Market Capitalization (FFMC) during last 12 months (Top70)

Step 3: Select 25 stocks from current 30 constituents

+ Any stock constituent currently in HNX 30 Index, which is not among the Top100, will be removed.

+ All stocks having 8 out of last 12 months with $r < 0.02\%$ will be removed.

+ Among stocks with r in 4 out of 12 months $\geq 0.02\%$, select 25 stocks (If there are not enough 25 stocks, the remaining will be selected in the following steps)

Step 4: Selecting 5 remaining constituent stocks

Among the Top70, except for 25 stocks that have been selected, the 5 remaining constituent stocks are selected as follows:

+ Calculate r for the last 12 months;

+ All stocks with r in 6 out of 12 months $< 0.02\%$ will be removed.

+ Among stocks with r in 6 out of 12 months $\geq 0.02\%$, select 5 stocks (and remaining stocks in Step 3) with the largest FFMC but ensuring that the number of stocks in each industry does not exceed 20% number of stocks in HNX 30. The remaining stocks will remain in a list of provisional stocks.

c. Regular adjustment of the Capitalization Limit

The Capitalization Limit will be reviewed quarterly based on the methodology applied to 30 constituents selected after the review period. The Capitalization Limit will be announced at least 7 business days before the effective date.

d. Periodic adjustment of Free float factor

Free float will be calculated every 03 months for 30 constituents and will be announced at least 7 business days before the effective date.

2. Special adjustments

a. Adjustment time

Special adjustments will take place upon occurrence of certain events, for which HNX deems adjustments are necessary. Such adjustments will be announced at least 1 business days before effective date.

b. Changes to constituent companies

- (i) Removal and replacement: If an index constituent stock is delisted, or ceases trading, or is subject to a takeover bid or no longer meet the criteria as defined by the Index Committee, the stock will be removed from the list of constituents of the index and will be replaced by the next highest ranking stock on the Provisional List, according to the pre-defined ground rules. The removal and replacement of constituent stocks are carried out simultaneously before the calculation of the index on the second business day following the announcement date.
- (ii) If the company issuer of a constituent stock is acquired by another company, the removal of the constituent stock will be announced after the appropriate regulatory body confirms that at least 75% value of the acquisition has been completed and shares of the acquirer are listed. The constituent stock of the acquired company is removed, but if re-instated later for trading, could be considered for re-inclusion in the index at the next review, but only at least 6 months after the date of its removal from the index.
- (iii) Mergers and acquisition: If a merger or acquisition results in the merger of a constituent company into another constituent company, the acquirer company stock will remain in the index basket and a vacancy will be created. This vacancy will be filled by selecting the next highest ranking stock in the Provisional List.
- (iv) If the company of a constituent stock in HNX 30 is acquired by a non- constituent company, the acquiring company stock will replace the acquired company stock in the index basket. If the acquiring company stock is not eligible, the acquired company stock will be replaced by the next highest ranking company on the Provisional List.

- (v) If a constituent company is split to form two or more companies, the resulting companies will be considered for inclusion as index constituents in the HNX 30 Index, based on their respective market capitalization and other eligibility criteria. When one or more of the new companies are eligible to remain in HNX 30 Index, the constituent (s) with smallest market capitalization will be excluded from the Index.
- (vi) Fast Entry: If, in the view of the Index Committee, a new issue is so large that its exclusion from the Index would adversely affect the Index, the Index Committee may decide to include the new issue as a constituent of HNX 30 Index. In this case, the Index Committee will review and announce 15 days before the day that the 30th constituent stock in HNX 30 is removed for to make room for the new index constituent.
- (vii) Newly listed companies which do not meet the above rule (rule vi) will be eligible for inclusion at the next periodic review, if its market capitalization is large enough to become a constituent of HNX 30 Index at that time.
- (viii) A company which is re-instated for trading following a trading suspension, reorganization, a name change or birth from a merger, takeover bid, or spin-off from another non-constituent company, shall not be considered as a new issue.
- (ix) If the Index Committee decides to include a new issue as a constituent stock for safety reason rather than during normal periodic reviews, this decision will be publicly announced at the earliest possible time.
- (x) If trading of a constituent stock in the HNX 30 Index is suspended on the exchange, the constituent stock may remain in the index for up to 10 business days. During this time, Chair of the Index Committee may decide to remove this constituent immediately at the price of the stock at the time of its suspension. If the trading suspension of the constituent stock lasts for more than ten business days, (and the stock still remains in the index basket), the constituent stock would normally be removed from the index at the stock price at the time of suspension of the stock.
- (xi) If a constituent stock is removed from the index basket, it will be replaced by the next highest ranking stock in the Provisional List.

c. Special adjustments of Capitalization Limit

If the weight of a constituent stock in the index becomes greater than 20 %, the weight of the constituent stock would be re-adjusted to 15% in case of one the two following events: the stock price has increased for 10 consecutive trading days or the volume of constituent's share has large changes. In such case, the date of the adjustment would be the day just after the date of such event.

d. Special adjustments of Free float factor

In the event that the free float of a constituent stock is significantly affected by changes in state ownership, or an increase in the allocation of new shares to a third party or by a public offering, the Free float factor used in the calculation of the index would be changed. In case that the increase in the number of shares issued to a third party does not affect the investment in the index, the Free float factor would be changed at the next time that the Divisor is changed.

VI. Adjustments of Divisor

In the event of an increase or decrease in the current free float adjusted market value due to corporate actions or changes in the number of constituents in the index, necessary adjustments would be made to the Divisor in order to maintain continuity in the index. In such cases, the Ground Rules require an adjustment to the Divisor, in order to ensure that the index value before and after these adjustments remains unchanged.

$$\frac{MV_{old}}{Divisor_{old}} = Index\ level = \frac{MV_{new}}{Divisor_{new}} = \frac{MV_{old} + CMV}{Divisor_{new}}$$

Of which:

MV_{old} = market value before the adjustment

MV_{new} = market value after the adjustment

$Divisor_{old}$ = Divisor before the adjustment

$Divisor_{new}$ = Divisor after the adjustment

CMV = change in market value when there are changes related to the Index

Therefore, new Divisor is defined as follows:

$$Divisor_{new} = \frac{MV_{old} + CMV}{Index\ Level}$$

Or:

$$Divisor_{new} = \frac{MV_{old}}{Index\ level} + \frac{CMV}{Index\ Level} = Divisor_{old} + \frac{CMV}{Index\ Level}$$

The Divisor will be adjusted after the end of trading session of the day before adjustment date.

No.	Events	Adjustment of Divisor	Change in market value	Adjustment date
1	Adding new shares in the index	Increase	Number of additional shares * close price of the shares before the adjustment date	End of the trading day before inclusion date
2	Removing constituent from the index	Decrease	Number of removed shares * close price of the shares before the adjustment date	End of the trading day before removing date
3	Cash dividend	No adjustment		
4	Increase in paid-in capital			
4.1	Right issues to outstanding shareholders with issued price lower than market price	Increase	Number of shares to be issued * issue price	End of the trading day before ex-date
4.2	Right issue to outstanding shareholder with issued price higher than market price	No adjustment		
4.3	Share dividend	No adjustment		
4.4	Bonus shares	No adjustment		
4.5	Other increases of capital: private placement, merger, conversion of convertible bonds	Increase	Number of additional shares * close price before additional listing date	End of the day before additional listing date
5	Decrease in capital			

5.1	Decreasing capital after company finishes issue	Decrease	Number of shares to be decreased * close price before first trading day since decreasing capital	End of the day before the first trading day since decreasing capital
5.2	Other cases of capital decrease	Decrease	Number of shares to be decreased * close price before the first trading day after decreasing capital	End of the day before the first trading day since decreasing capital
6	Split/Reverse Split	No adjustment		
7	Change in f , number of outstanding shares used to calculate index	Adjustment		Adjusting after change

All other changes arising in the future will be adjusted based on actual situations.

VII. Information disclosure on the Index

All changes in the index including constituents of the Index, all index rules will be sent to vendors of HNX and announced on HNX's website (www.hnx.vn). Except for emergency cases, time for publication is as follows:

No.	Event	Disclosure time
I	Policies on management of the Index	Change in policies on management of the HNX Index 30 will be announced at least 30 days before effective date
II	Changes after the periodic review (changes in constituents of the Index, Index weight, free float rate, outstanding shares used to calculate index)	At least 7 business days before effective date
III	Changes after special adjustment	At least 1 day before effective date
IV	Adjustment of Divisor	All events leading to adjustment of Divisor will be disclosed based on HNX's policy on

		information disclosure. Events which are not mentioned here will be announced at least 1 day before effective date.
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